GOVERNMENT OF INDIA
DISINVESTMENT
LOK SABHA

STARRED QUESTION NO:86
ANSWERED ON:27.07.2001
DISINVESTMENT OF AIR INDIA AND INDIAN AIRLINES
JAGMEET SINGH BRAR;M.V.V.S MURTHI

Will the Minister of DISINVESTMENT be pleased to state:

(a) whether the process of disinvestment of Air India and Indian Airlines has been completed;

(b) if so, the details thereof;

(c) the details of the bids/offers received in this regard;

(d) whether any bid/offer has been rejected and if so, the reasons therefor;

(e) the time by which the disinvestment process is likely to be finalised; and

(f) the steps taken by the Government to ensure transparency in the disinvestment process and also to protect the jobs of the employees/ workers of Air India and Indian Airlines?

Answer

MINISTER OF STATE (INDEPENDENT CHARGE) OF THE DEPARTMENT OF DISINVESTMENT, MINISTER OF STATE MINISTRIES OF PLANNING, STATISTICS & PROGRAMME IMPLEMENTATION AND MINISTER OF STATE IN THE DEPARTMENT OF ADMINISTRATIVE REFORMS AND PUBLIC GRIEVANCES (SHRI ARUN SHOURIE)

(a) to (d) A statement is laid on the Table of the House.

STATEMENT IN REPLY TO STARRED QUESTION NO.86 FOR ANSWER ON 27.07.2001 IN THE LOK SABHA BY SHRI M.V MURTHI AND SHRI J.S. BRAR REGARDING DISINVESTMENT OF AIR INDIA AND INDIAN AIRLINES

(a) No, Sir.

(b) to (f) The details regarding disinvestment in Air India (AI) and Indian Airlines (IA) are as under:-

Air India

1. Government Decision: -

(i) Government equity to be brought down to 40%.

(ii) 40% of the equity to be disinvestment in favour of Strategic Partner (SP).

(iii) Upto 10% of the equity to be offered to employees and the balance by sale to financial institutions and / or on the share market.

(iv) Foreign holding in case of Strategic Partner not to exceed 26% of the total equity.

2. 9 offers from prospective bidders were received against advertisement inviting Expressions of Interest. 6 out of these parties met

pre-qualification criteria of minimum net worth and all these parties were given Bid Packs. 4 out of these 6 parties did not submit the Initial Technical Proposal in response to the Request for Proposal. Thus, only 2 parties who remained in the process carried out due diligence / data room study and submitted comments on the draft Share Purchase Agreement and Shareholders Agreements. The bids of these remaining two parties are under scrutiny as per approved guidelines of the Department of Disinvestment. It is not possible at this stage to determine the time by which this disinvestment process is likely to be finalized.

3. The provisions in the Agreements for safeguarding the interest of the workers are: -

Recital All employees on the Closing Date to continue in employment of the Company, SP to use best efforts to provide adequate job opportunities for SC/ST, physically handicapped persons and other socially disadvantaged sections of society.

SP and AI to ensure that employees have option for voluntary retirement on terms not less favourable than the voluntary retirement scheme of Department of Public Enterprises.

Indian Airlines

1. Government Decision: -

(i) Government equity to be brought down to 49%.

(ii) 26% equity to be sold to a Strategic Partner.

(iii) 25% equity to be sold to Domestic Financial Institutions,employees and other investors.

(iv) Limit of Foreign holding would be 40% of SP`s equity.

2. 6 offers from prospective bidders were received against advertisement inviting Expressions of Interest. 4 out of these parties met pre-qualification criteria of minimum net worth and all these parties were given Bid Packs. 2 out of these 4 parties did not submit the Initial Technical Proposal in response to the Request for Proposal. Thus, only 2 parties who remained in the process carried out due diligence / data room study. The bids of these remaining two parties are under scrutiny as per approved guidelines of the Department of Disinvestment. It is not possible at this stage to determine the time by which this disinvestment process is likely to be finalized.

3. The Agreements have not yet been firmed up. However, necessary provisions in the Agreements for safeguarding the interest of the workers will be kept on the lines as have been stated above in the case of Air India.

The Government has taken steps to ensure complete transparency in all disinvestment transactions, including Air India and Indian Airlines, where strategic sale is contemplated. Offers for appointment of Advisor and thereafter the offers for inviting the Expression of Interest, is through an open competitive bidding process by giving advertisements through leading newspapers (national & international). Apart from the exhaustive examination in the Department of Disinvestment, there exists a multi-layer scrutiny mechanism in the form of Inter Ministerial Group, Core Group of Secretaries on Disinvestment and Cabinet Committee on Disinvestment. After the conclusion of the transaction, the Comptroller & Auditor General of India will be carrying out a thorough audit and evaluation where after the report will be placed before the Parliament and also made public.